To: Larry Root
From: Linda Lim
Date: 9/6/00
Re: My factory visits in Southeast Asia and UM code and monitoring

This past summer I visited two Nike factories--shoes in Vietnam and apparel in Indonesia—as well as interviewed their management in Singapore, and several other non-Nike personnel in the region (NGO rep., journalist, UN official, HIID/Fulbright program director, local garments manufacturer, and various "ordinary people"), and read several articles and documents pertaining to factory labor in the region. I have extensive notes, photos and analyses on my visits, and am summarizing here my main conclusions as they relate to the UM labor code and monitoring procedures only. Perhaps the new Standing Committee will find these useful in its deliberations. I am happy to answer any questions.

For your information, I visited the Vietnam factory with six family members, including two California labor lawyers—one a workplace comp. specialist (my stepdaughter) and the other the lawyer for a California public employees' union (her husband)—and my husband, a retired UM professor whose specialty is rural development in Southeast Asia. I have visited over a hundred "modern" factories (not including traditional cottage industries) in my time, in several Asian countries, the U.S. and Mexico, as well as consulted for the ILO, the U.S. Department of Labor and various international development agencies, on the subject of labor, especially women workers, in export-oriented factories. Trained in international and development economics, I have published more than a dozen academic articles and reports and supervised two doctoral dissertations on this subject, and am familiar with the related academic, policy and popular literature. In the 1999-2000 academic year I also served on the University of Michigan's Advisory Committee for Labor Standards and Human Rights, that was charged with exploring the sweatshop issue and with recommending policy that the new Standing Committee is to follow up on.

Here, based on my cumulative expertise and experience, as well as the new information gathered on my factory visits in June and July this year, are my conclusions on the implications for the University's labor standards code and monitoring procedure. I will probably send these notes to the Nike managers who made time for me as a courtesy, but I have not consulted with them on their content.

## EMPIRICAL FINDINGS

### WAGES

- My factory visits confirm the results of all the available research with which I am familiar on foreign-owned export factories in Asia i.e. they pay above-average wages for the countries concerned—especially if the comparison is made only with other young females (18-24 years) who are in the labor force. According to the World Bank, the average annual minimum wage for 1995-99 in Vietnam was US$134 and the

workers at Nike's supplier factory earned $670; in Indonesia the minimum wage was $241 and the workers at the Nike supplier factory earned $720 (at the time of my visit).

- These findings are consistent with other recent surveys for these countries. Analyzing detailed data from 6,000 households covered in the 1997-98 Vietnam Living Standards Survey, Prof. Paul Glewwe at the University of Minnesota found that *per capita* consumption expenditure for the general population was $205, while it was $420 for those working in foreign-owned enterprises, $303 for those working in foreign-owned textile enterprises, and $371 for those working in foreign-owned leather goods enterprises (which would include footwear). While 37.4% of the general population fell below the poverty line of $133 per person per year, this was true of 17.3% of those working for foreign textile enterprises, and only 8.6% of those working for foreign leather enterprises; none of the workers in foreign enterprises fell into the "very poor" category, whereas 15% of the general population did. 61.8% of workers in foreign textile enterprises, and 30.1% of those in foreign leather enterprises, ranked in the top quintile (20%) in terms of their per capita consumption expenditures; none of the textile workers ranked in the bottom two quintiles (40%), but 27% of the leather workers ranked in the second lowest quintile (none in the bottom quintile).

- In a much smaller sample, Peter Hancock of Deakin University in Australia found that the wages of women footwear factory workers he surveyed in Indonesia increased 2.4 times between 1997 and 1999—more than the rate of inflation (60% in 1998, 20% in 1999) or the overall income increase (a decline of 15% in real GDP over two years) in the country during those years of financial and political crisis. Workers in a Nike subcontractor factory in particular were "being paid relatively well" with wages 40% higher than the average of his sample as a whole. (*Inside Indonesia* No. 62 April-June 2000)

- Similarly, the wages in the factories I visited are at or above the per capita income level. Of course this does not take into account any dependents the workers may have to support. Since they are mostly young and single, the dependence burden is probably low. The workers in Vietnam live at home, so share expenses with their families, while those in Indonesia are mostly migrants who live in private dormitories and (other studies show) do send remittances home to their families. Married workers and workers living at home would belong to multiple-income households, and those who are migrants would rarely be the sole support of their families in the countryside.

- Other features of the labor market in both countries are relevant to any "living wage" discussion. (1) Open unemployment rates are low, though underemployment may be considerable i.e. most adults have *some* kind of job. (2) Family size is small, especially in Indonesia (Vietnam has only recently begun to reduce birth rates). (3) Female labor force participation rates are high, 50% in Vietnam and 40% in Indonesia; among young single women it would be much higher. (4) Savings rates are very high—about

40% in Indonesia, 25% in Vietnam (among the lowest in Asia)—suggesting low dependency ratios (the usual demographic assumption for South and Southeast Asia). Note that these four distinctive features would *not* be characteristic in Latin America. ((5) It might also be worth exploring if the workers' earn any supplementary income outside of their formal factory employment which is nevertheless contingent on this employment e.g. in my past studies in Malaysia a significant proportion of women factory workers used the networks they developed at work to enhance their income through the private provision of goods and services to each other e.g. selling food, seamstressing, hairdressing and even Amway products—indeed one of the attractions of factory employment was the access it provided to much wider networks that could be used for these commercial purposes.)

- These facts suggest that these factories at least (and others like them) are likely to meet any *reasonable* living wage test e.g. workers are subsisting at or above the average for an individual in their respective countries. By no stretch of the imagination would they be regarded as living below the local poverty line, whether measured by "national" or "international" criteria. In Indonesia they would not belong to the 20% considered to live below the poverty line, or the 15% subsisting at less than $1 a day. (The Nike workers at Feng Tay surveyed by Peter Hancock were in 1999 earning more than $2 a day, putting them in the top third of the population by income, assuming they had no dependents; and disregarding Hancock's contention that they were also receiving in-kind subsidies from their families, which would raise their real income or consumption—since the reverse is more likely). In Vietnam the Nike workers would not belong to the 50% considered to live below the poverty line, and were also making close to $2 a day. (Data on the population living on less than $2 a day is not available for Vietnam, but it should be greater than in Indonesia, since Vietnam is much poorer with a per capita income about half of Indonesia's; thus the Nike workers in Vietnam would be even more of an "elite" there than in Indonesia.)

- My visual observations in both the cities and the countryside of both countries confirm that the "Nike factory" workers are indeed relatively well-off in their countries. As I mentioned in an article a decade ago, their relative position would be better the poorer the country, and this was confirmed by my recent observations as well as by statistics. Factory workers in Vietnam are better off than those in Indonesia, a more wealthy (less poor) country, both in relative and absolute terms e.g. many if not most of the Vietnamese workers could afford motorbikes/mopeds which are status symbols in Vietnam, but few of the Indonesian workers did. Both are definitely better off than the 80% who live in the countryside in Vietnam, and the 55% who do in Indonesia.

- It might be useful to some to couch the "living wage" concept in terms of Marxist economic analysis, which used to be popular in analyzing this issue. Workers are considered to be suffering from "super-exploitation" if the "surplus value" extracted from them exceeds the wage required for the "reproduction" of labor according to "customary living standards". Over time, such "super-exploitation" will lead to the

worker becoming "exhausted" so that she has to leave the job (is no longer capable of producing surplus value at the required rate).

- Two measurements are useful here in calculating whether "super-exploitation" (or non-payment of a "living wage" in contemporary parlance) exists, and twenty years of worker surveys, at least in Asia, suggest it does not. The first is whether workers save and/or contribute remittances to their families—if they do, as is usually the case, then they are clearly earning more than sufficient for individual subsistence and the "reproduction of labor" (as well as contributing to improving family living standards). The second is the rate of labor force turnover—if workers are being "exhausted", we would expect to see a high rate of turnover that cannot be explained by other labor market factors (such as women's typically leaving the labor market for some years when they marry and/or have children, which happens in some countries). The evidence I am familiar with, including my own recent factory visits, suggest that after the initial three-month "probationary" period, turnover rates tend to be low, especially in poorer countries where young women have limited alternative occupations.

- Note that Marx himself argued that capitalism is a "historically progressive mode of production" over feudalism (aspects of which characterize many developing countries today), considering the proletarianization of (often tenant) peasant farmers to be progressive because it leads to the formation of a potentially self-organizing working class. He and his colleague Friedrich Engels, an industrialist, also considered factory work to be particularly "liberating" for women from pre-capitalist conditions of feudalism and patriarchy. My recent visits did not permit any assessment of these (non-pecuniary) predictions, but they have been borne out by my and other colleagues' past research.

FACTORY WORKING CONDITIONS

- These vary greatly not only between but within countries, in different industrial sectors (e.g. shoes vs. garments), and according to the technology used (e.g. highly capital-intensive factories tend to have better conditions than very labor-intensive ones), and the product produced (high-value products are produced in better conditions than cheap products).

- But the assumption that our committee made that conditions are better in higher-income countries may not be accurate. The Nike managers themselves, and also Elizabeth Boesen of the Intl Youth Federation which partners with Nike, the Gap etc. in "The Global Alliance for Workers and Communities" (she is the wife of one of my former UM students), strongly disagreed with this hypothesis. Nike believed that (1) management, not prevailing income levels, is the chief determinant i.e. you can have better conditions in factories where managers "buy in" to and work at improving labor standards, while Elizabeth believed that, in addition, (2) "culture" and the nationality of management also plays a key role.

- Both Nike managers and Elizabeth picked out Thailand as having the best factories, because they are managed, and often owned, by "people of the same nationality and culture as the workers" i.e. by local Thai entrepreneurs, for whom "common Buddhist values" would fit in with treating their workers well. It is certainly true that the high-profile incidents of worker abuse in Nike factories in the early 1990s in both Vietnam and Indonesia occurred in foreign-owned factories, esp. those managed by Koreans. The particular factories I visited are owned and managed by ethnic Chinese foreigners from Taiwan and Hong Kong, with some supervisors from China.

- Like my stepdaughter who said she had been into many factories in California which are *much worse* than the shoe factory we visited in Vietnam, Elizabeth Boesen said she used to work for an NGO which toured local factories in Central Asia and those were "horrible". These are anecdotal accounts, like those circulated by anti-sweatshop activists themselves, but they are consistent with numerous other comparative observations.

HOURS OF WORK

- The Nike managers and the factory managers in both countries said that the main problem posed for them by the various codes was the limitation on overtime work (which it was noted the U.S. does not have). Nike insisted on factories meeting its limitation, but the factories themselves found it difficult to meet delivery targets—especially during the Christmas sewing season—without working more overtime—they then fell afoul of Nike's delivery targets.

- It was also mentioned that workers like to work overtime and often choose factories with worse conditions over the Nike subcontractors because they will allow them to do so. This is because workers prefer to maximize income. This observation is consistent with what I've seen and heard over the past twenty years among Asian (but not among Latin American) workers, but it probably varies by country and historical period. Higher-income workers in higher-income countries may be more likely to object to extensive overtime (e.g. in the US).

- Here is what Elizabeth Boesen says based on her extensive experience with workers: "The desire for overtime is an ever-present issue in Vietnam, Indonesia and elsewhere. In Vietnam it may be an even bigger problem, since the government strictly regulates the number of overtime hours (capped at 200 a year, I think). According to Nike employees, that limit is only enforced for foreign firms. State and domestically-owned firms regularly go over that minimum. OT is a tricky issue. If you ask workers their number one desire, it will almost invariably be for more overtime. When this is mentioned to labor rights activists, however, the explanation is that they are not receiving a "living wage"; if they were, they wouldn't be asking for overtime. While I was reasonably convinced by that argument in the past, I am less so after working on the Global Alliance initiative, to be honest. To put it simply, these workers are usually in the factories for a finite number of years and their number one goal is to maximize

income during that time. And a higher wage, in my opinion, would do little to change that desire and motivation. As one worker said to me in Vietnam, "I am used to working 16 hours in our rice paddy, so 14 hours in the factory is not hard for me. It's just boring. But I don't mind. I always ask for overtime." Given that such OT, in addition to be being boring, may also have adverse physical, social, and emotional effects, neither a 14 nor a 16 hour day is advisable. And, of course, higher wages would always be better (as long as they didn't end up driving the manufacturer out of the country). But the wage defined as "living" by labor rights groups is not always economically feasible."

- Note that in both theoretical and empirical economics, a higher wage can lead to more *or* less hours worked—it depends on the worker's individual preference for income over leisure ("the shape of her indifference curve")—so Asian workers preferring to work more rather than less hours at higher wages (while Latin American workers prefer to work less at higher wages) is perfectly reasonable. I believe that in the U.S. higher-income workers usually work longer hours—certainly fresh MBA graduates typically work 100 hours a week in consulting and finance, which is more than double the national average.

LABOR ORGANIZATION AND ACTION

- Both factories I visited were union shops organized by government-sanctioned national unions. In Vietnam this is not likely to change until the government does. In Indonesia the situation is already changing since the advent of democracy last year. I heard from several sources that there has been a spate of strikes in Indonesia because newly-formed "independent" unions are competing with each other for workers' affiliation (and dues), and mount labor actions to push their individual organizations. Elizabeth Boesen said some factories had as many as 14 different unions trying to organize them. This is a period of considerable confusion, including in the Indonesian political scene at large, and it is not possible to correlate worker unrest with employer abuse or a deterioration in the terms and conditions of employment.

IMPACT OF TEXTILE QUOTAS (MFA)

- MFA quotas negatively affect buyers' and management's attempts to meet code and improve labor standards because

  (a) they require the use of a large number of factories (710 for Nike apparel alone) in many different countries, making buyer oversight expensive and difficult, since each country is assigned limited quota;

  (b) they disrupt the smooth flow of orders, already tricky in fashion industries with as many as six major seasons a year e.g. buyers never know if they are going to have enough quota for a particular order, so may have to switch orders at the last moment, requiring sudden increases of overtime in some locations and insufficient

work in others; material shipments are also disrupted and this too interferes with the smooth flow of work and proper capacity utilization;

(c ) quota greatly increases the costs of production—not only the wasteful duplication of having too many factories in too many countries, but also wastage of material and product when quota is exhausted (the excess is dumped on local markets as below cost, in "export shops" I visited in Indonesia), payment of quota fees since quotas have to be purchased from those who have them (rents captured by "quota middlemen" many of whom acquired their quota by having "government connections" and who do nothing else of value but trade in quota e.g. Suharto era cronies in Indonesia) and overall quota management; the elimination of quota would realize a lot of efficiencies and release a lot of value some of which could be used to reduce the downward pressure on wages.

- At the same time, the planned lifting of MFA quotas in 2005 provides Nike and other buyers with considerable leverage over their subcontractors—who have all been warned that "only the best" factories which meet the companies' standards (including labor standards) will be engaged after they cease to be protected by quota. The buyers will rationalize sourcing to far fewer factories in fewer countries. The Hong Kong manager in Indonesia was very aware of this—especially, as he says, his Indonesian workers' productivity is way below that of Chinese workers—Chinese workers work at "70% of standard time" whereas Indonesian workers only make "40% of standard time".

TERMINATION OF SUPPLIERS

- The current quota system also makes it difficult for buyers like Nike to terminate suppliers who do not meet their standards but who possess valuable quota—so their threat to do so if e.g. labor standards are not improved does not have credibility.

- Nike has, however, terminated some suppliers for code violations. In Indonesia it terminated two suppliers who when strapped during the financial crisis requested and obtained from the local government authorities permission to avoid paying the legal minimum in their district—apparently this is quite common and easily done, it's legal but against Nike's rules. In the Philippines it is phasing out an otherwise "good, experienced and mature" supplier who sought to avoid labor regulations by splitting up 2,000 workers into smaller shops of 400-500 workers each. Nike also has a problem with Philippine employers requiring pregnancy tests of their workers.

- The Philippines has lost business from Nike and other apparel companies because its "labor rates are too high" and it is "difficult to compete", even though they have the protection of quota.

## IMPLICATIONS FOR UM CODE & MONITORING

CODE OF CONDUCT

- Our code should not be difficult for "the best" suppliers to meet, with the exception of the overtime limitation—and problems with this should be reduced with the elimination of MFA quota by 2005, making production scheduling more rational and predictable. The new Standing Committee may, however, want to consider a more flexible limitation, taking into account information about different worker preferences in different countries e.g. everyone agrees that Mexican workers don't like overtime, but there is considerable evidence that Asian workers do. It might be falling into our "patronizing" trap to second-guess workers' preferences, or assume that "they are all the same".

- A "living wage" would be extremely difficult to define, but also to implement, since it must vary by location even within countries—given extreme local variations. Clearly a "living wage" which, say, only the top 20% of income earners in a country would be paid according to market supply and demand, would be a parody, and would shut down most of these factories, throwing workers out of their jobs. It also smacks of hypocrisy if required by countries and employers (like UM) who do not make it a requirement themselves (as I believe our committee noted).

- A "living wage" also does not take into account productivity differences among countries i.e. the labor demand side of the equation, which matters. (It also does not take into account the labor supply side, since workers are obviously willing to supply their labor at current prevailing market wages, and seem reluctant to give up these jobs, since turnover rates are extremely low—less than 1% in Vietnam, for example, which is unusual for young female workers anywhere.) If the wage as defined makes it unprofitable to manufacture in a particular country where productivity is low (say, Indonesia or the Philippines), it may simply induce buyers and manufacturers to relocate to other countries where the defined "living wage" is lower, and the productivity higher (say, China) or a capital-intensive rich country where the "living wage" is higher but so is the productivity (say, Hong Kong, Singapore or the US) due to the use of complementary inputs (skills, capital) not available to a poorer country. Unit labor cost (total labor cost per unit of output) is the relevant calculation here, not wages alone.

- It makes no sense for the college segment (about 1% of total apparel sales revenues for Nike, probably less for other companies with less of a presence on college campuses) to require a "living wage" when the 99% rest of the industry does not. Factory owners/employers would be better off just dropping the college business and continuing with the rest. Since they cannot pay workers in the same factory different rates, they would have to raise wages on all their workers to satisfy only an insignificant proportion of the market.

- Our committee had some concern that a different ("higher") code for the college segment (e.g. WRC) than for the apparel industry at large (e.g. FLA) would lead to a segregation of facilities. My factory visits suggest this is extremely unlikely—first of all, because of quota, buyers/manufacturers do not necessarily know which facility will be making the college apparel in question at the time in question—you can't have, say, a special "college line" in Korea because lots of the time it will not be utilized if Korea runs out of the required quota (say, polo shirts or track shorts or windbreakers)—the same "batch" may have to be made in different countries, as any visit to M-Den will verify—the same item may be made in different countries even in the same season, not to mention in different seasons. Second, in terms of manufacturing process, product for different buyers is not segregated by line—if it were this would raise manufacturing costs further, squeezing profit margins and perhaps wages as well as a result.

- Peter Deakin's *Inside Indonesia* article noted that when Nike terminated a Korean supplier Kukje in Indonesia for violation of its codes, Kukje workers were laid off, though some found re-employment at another Nike subcontractor next door, Feng Tay. The workers remaining at Kukje subsequently received (slightly) lower wages and (significantly) more overtime than the average for the sample that Deakin surveyed. There are many possible reasons for this, but the overall conclusion is that supplier termination makes workers worse off, exactly as feared by our committee.

MONITORING SYSTEMS

- Monitoring of labor conditions should be done first of all by the factory management itself, and by its first-line customers (such as Nike, Reebok, The Gap etc.—all of whom have staff already dedicated to this purpose i.e. inspecting and improving working conditions in subcontractors' factories). Both Nike-contracted plants I visited had multiple large copies of the company's workplace code prominently displayed, in several languages (English for the customer, Chinese for the supervisors from Taiwan or Hong Kong, and Vietnamese/Indonesian for the local workers). All managers must sign the codes on display, and newly-hired workers are trained in the code and in local labor law as part of their orientation. Each worker is also given a wallet-sized card with the code printed on it in her native language. In each factory a local manager is employed by the factory to specialize in labor issues. We should require that workers be trained in their rights as covered by our code and as practiced by Nike. The training could be done by the employer, the buyer (Nike) or an outside organization e.g. a reputable NGO, it doesn't really matter.

- But, as mentioned above, it is not possible to simply monitor the tiny college segment of the apparel industry alone, as WRC plans to do. You can't even know *where* a particular college apparel line will be produced from one season to the next. It's intermingled with other non-college garments according to quota and garment type e.g. one season one factory might produce a windbreaker jacket for Gap in navy blue and also produce a much smaller quantity of the same jacket in yellow with a Nike logo for college sale, because that factory in that country has the quota for that type of

jacket for that season only. Next season might (probably will) be different. This makes the FLA a *much* more sensible organization to join—as indeed Michigan has done--since it covers the whole apparel industry.

- As I said frequently in committee, I have no objection to a company selecting PWC or KPMG or the like to monitor its factories. Because the company pays for a particular monitor does not mean that monitor is compromised—if it were, then the company should not pay for monitoring by NGOs either. Who should then pay for NGO monitoring? Companies already pay PWC, KPMG and the like to do their—arguably much more crucial—financial auditing, and no-one is suggesting that as a result of this, we should not believe any company financial audits—which are government mandated and subject to external oversight. Why should social auditing be different? In particular, the large global accounting firms both have the infrastructure and the trained local personnel who can do this in many different countries, and put their *entire* reputation and brand equity at stake—why would they jeopardize the 99% of their business that is financial auditing and consulting by conducting fraudulent audits of the (at very most) 1% that might become social auditing? I would be much more leery of trusting a small local NGO whose founder (these are often one-person shows) could just fake the audit, perhaps take bribes to fake it, etc. without having so much at stake as a PWC.

- However, our committee's reservations about using the PWCs of the world *only* remain valid, because of their limited capacity and the huge number of factories involved (thanks to quota). At the same time, I continue to disagree that giving advance warning of monitoring visits (by PWC or anyone else) will result in management creating "Potemkin villages" which "look good" only for the duration for the visit/s, simulating good labor conditions which are not otherwise the norm. Anyone who understands anything about the manufacturing process in garments or footwear, or even walks intelligently through these factories, will realize that such temporary re-arrangements are not possible or likely, especially if there is heavy equipment involved, which is usually the case, and given that the factories must make scheduled delivery dates, or lose orders. If possible, such temporary re-arrangements would be costly, complex and disruptive, and would raise operating costs and diminish factory competitiveness, causing harm to workers, especially if monitoring visits are frequent. I also cannot recall reading of any such incident i.e. where one of the 4,000 or 8,000 workers did not "leak" that such "Potemkin village" re-arranging was going on. In Vietnam, the biggest problem the Nike managers seemed to have arranging my visit was choosing the particular factory that would be available during the time I wished to visit—since they have so many visitors, they rotate them through different factories in order to not be too disruptive of any particular one.

- I maintain my objections expressed in committee against joining the WRC--though, now that we've also joined the FLA, in theory my objections might be somewhat muted in the spirit of Open Labor Standards/competition between different monitoring organizations/let's see who can do better and we can work better with, etc.. *In*

*practice*, the WRC "fire-alarm" system seems even more impractical and worse, likely to have perverse effects.

First, how is WRC going to select the few factories it is going to target to work with in educating workers about their rights, when *it does not and cannot know* which factories will be making a particular college logo garment—because of the quota and other complications mentioned above? It may end up working with the workers in a factory which has a (tiny) college contract one season out of six! WRC is *not going to be able to be* just dedicated to college apparel production, which wipes out one reason for its existing separately from the FLA.

Second, the WRC principle is that by educating workers they will become informed about their rights and take action and organize to protect them—so we will know when a factory is abusing workers because the workers themselves sound the fire alarm e.g. have a strike or other protest. I argued in committee that this raised the very real possibility that we would have the most fire alarms sounding in the factories which happen to have the most alarms installed—not those where the risk of fire is greatest which do not have those alarms installed i.e. factories that the WRC picks are most likely to protest abuses (that they have been specifically "educated" to spot) even if they are not the most abusive factories. We then end up relocating business and jobs away from those factories and towards others where WRC is not working—which may well have worse abuses! In this case workers' welfare is reduced. It may not take the workers themselves long to realize this, which raises questions about whether their self-interest lies in cooperating with the WRC or not.

Third, as I noted above there is great variation among factories, even those subcontracting to the same buyer and in the same country. Suppose WRC chooses to work with workers in *one* of the 710 Nike apparel subcontractor factories (which also make apparel for other buyers). The factory is violating code and a protest is sounded. "Tarring" Nike's brand name for a violation by one of "its" 710 subcontract factories (*if* consumers really care about this, which many if not most may not) will then risk hurting its business and jobs at the other 709 factories, which may not be similarly violating workers' rights, and may in fact include many "model" factories. Do we punish the innocent in order to punish the guilty? Nike itself could readily and understandably just resort to switching its business away from the offending factory (as it is likely to do in any case for a host of other reasons including quality—factories with poor labor standards tend to have lower quality and productivity anyway—and quota reasons). WRC would at best have accomplished nothing but the layoff of the workers who trusted it, and at worst would have hurt workers in other non-WRC locations who were not being abused!

Fourth, I cannot over-emphasize the importance of *local* conditions having little to do with the buyer or employer to conditions in particular factories e.g. a particular factory may have a lot of strikes because 14 unions are trying to organize it (as in Indonesia) or because an opposition political leader is trying to mobilize the nascent industrial

workforce to his cause by urging them to demand excessively high wages like $70 a month (in Cambodia, where per capita income is $300 annually). Or another factory may have very peaceful labor relations because it is a union shop controlled by a government union that is not afraid to use its government connections where the government is authoritarian and unelected (e.g. Vietnam, China). Do we then penalize those who can organize in a democracy while favoring those who cannot organize independently in a communist regime? We are bound to if we take labor agitation as an indicator (fire-alarm) of labor rights violation (fire) when they may simply reflect something else (like the influence of naïve student organizers, inexperienced local NGOs or trouble-making "outsiders" of whom there are plenty—this is what caused the riots and religious conflicts in Indonesia, for example, and everyone is alert to "provocateurs" assumed to be funded by the former President Suharto's "forces").

I am *really* concerned about there being potentially politically as well as economically reactionary consequences from WRC activities which could undermine the reputation of our University and hurt those of us who recruit students from or do research in particular countries where this might happen. I would be minimally comfortable with the University funding such WRC activities only if there are counter-checks in the same factory site e.g. it is also put on the monitoring schedule of the FLA or some other non-WRC monitoring agency.

- Another concern I have about this whole procedure is its likely impact on the development of indigenous capitalism in developing countries. I have already noted the ample research which shows that multinationals tend to have higher wages and better working conditions than local firms, especially in labor-intensive export-oriented industries where multinationals have the capital resources, expertise and brand-name and technological assets which make them more able to compete than under-funded and inexperienced small local firms. In Asia, already, because of the financial crisis, multinationals are taking over many local enterprises—and textiles and garments is one industry where it is relatively easy for local industrialists to enter and which every industrializing country including the U.S. began with. Thailand aside (where as mentioned above local employers guarantee the best labor standards in the region), focusing on labor standards as *the* reason to select or drop a particular supplier is likely to add to the conditions favoring multinationals over nascent local enterprises. This expands multinationals' (including firms from places like Hong Kong, Taiwan and Korea) share of the global industry at the expense of new local entrants—is this what we want? The problem was mentioned in our committee report and I just want to highlight it based on my observations of this past summer.

- Finally, I'd like to emphasize that we can (perhaps) contribute (marginally) to the diminution of sweatshops in poor countries only if we work within the practical realities of economics, politics (and I don't mean campus politics) and business in the apparel industry. Our goal is not advanced by student activists refusing to (a) "see for themselves" e.g. by refusing to visit Nike (or any other name-brand) factories, which I heard from several sources, including Nike managers and students at other universities,

(b) have open minds regarding alternative analyses, policies and organizations with the same goals, (c ) work directly with employers and buyers to improve conditions for workers without risking their jobs, (d) recognize that some of their own policy prescriptions are flawed, unrealistic and may even have perverse effects, and thus to change them, (e) use democratic processes rather than totalitarian tactics to achieve their ends on campus (which are not necessarily the same as those of the workers in question).

Above all, since MFA quotas play such a definitive role in this business, it would help if the University of Michigan, SOLE/USAS, and the WRC and FLA which the University has joined, would state categorically their support for the dismantling of this forty-year-old protectionist barrier that costs workers in poor countries much-needed jobs and incomes, and make it difficult to implement and monitor our code. This would defuse the prevalent fears that SOLE/USAS are only tools of the protectionist U.S. labor movement, especially UNITE, and do not really have the interests of developing country workers at heart.

GENERAL COMMENT

- It is necessary for all interested members of the University community to recognize that (1) improving labor standards cannot be done without cooperation from and with employers, (2) that employers who have improved standards need some positive recognition in order to motivate them to go further than minimal compliance and to continuously improve, (3) being pro-worker does not mean being anti-corporate, but being anti-corporate may mean being anti-worker, and it is the latter risk that we must be vigilant against as well as the possibility that (4) appeasing a tiny minority of student activists may in some cases actually threaten the welfare of the workers whom we seek to "help".